

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on
Insurance
(AC-In)

(Form Updated: 11/20/2008)

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05hr_AC-In_Misc_pt65

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**ASSEMBLY SUBSTITUTE AMENDMENT ,
TO 2005 ASSEMBLY BILL 222**

1 **AN ACT** *to create* 20.370 (2) (dj) and 292.83 of the statutes; **relating to:** binding
2 arbitration to resolve Fox River cleanup coverage disputes and making an
3 appropriation.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 20.370 (2) (dj) of the statutes is created to read:

5 20.370 (2) (dj) *Fox River cleanup arbitration.* All moneys received under s.
6 292.83 (3) to pay the costs related to the arbitration procedure under s. 292.83.

7 **SECTION 2.** 292.83 of the statutes is created to read:

8 **292.83 Arbitration of Fox River cleanup coverage dispute.** (1) The
9 department shall establish a binding arbitration procedure, which shall be governed
10 by ch. 788, for resolving all claims related to insurance coverage for the costs related
11 to remedial action involving the removal of at least 10,000 tons of contaminated

Chg to nonbinding

1 material from the bed or banks of the Fox River. No later than the 120th day after
2 the effective date of this subsection [revisor inserts date], the department shall
3 identify and notify all persons that are responsible under this chapter or the federal
4 Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC
5 9601 to 9675, for that remedial action and, with the assistance of the commissioner
6 of insurance, all insurers that are potentially responsible for paying claims related
7 to the remedial action, who shall submit their disputes to the binding arbitration
8 under this section.

9 (2) Under the procedure, all responsible persons identified by the department
10 under sub. (1) shall together select one arbitrator, no later then the 90th day after
11 the department makes the last notification under sub. (1); all insurers identified by
12 the department under sub. (1) shall together select one arbitrator, no later then the
13 90th day after the department makes the last notification under sub. (1); and the 2
14 arbitrators selected shall together select a 3rd arbitrator. The department shall
15 assign employees of the department to provide administrative services to the
16 arbitration panel. The arbitrators shall, no later than the first day of the 19th month
17 beginning after the effective date of this subsection [revisor inserts date], resolve
18 all issues related to insurance coverage for costs related to the remedial action,
19 including the insurers responsible for payment, the persons to whom payments are
20 due, and the amounts of the payments.

21 (3) The department shall assess and collect fees from the parties to the
22 arbitration procedure under sub. (2) to cover costs related to the arbitration
23 procedure.

24 (END)



2005??

Executive Summary

Even Numbered
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Missing

This Report analyzes the 2000-2004 performance of each of the 15 largest medical malpractice insurers in the United States rated by A.M. Best, the principal rating service for the insurance industry. The Report is based primarily on data from the carriers' 2004 Annual Statements filed with state insurance departments.

The Report finds the following:

- * Over the last five years the amount the major medical malpractice insurers have collected in premiums has more than doubled, while their claims payouts have remained essentially flat.
- * Some malpractice insurers substantially increased their premiums while both their claims payments and their projected future claims payments were decreasing.
- * Malpractice insurers accumulated record amounts of surplus over the last three years.

Taken together, the malpractice carriers analyzed increased their net premiums by 120.2% during the period 2000-2004, although their net claims payments rose by only 5.7%. Thus, they increased their premiums by 21 times ($120.2/5.7 = 21.09$) the increase in their claims payments.

As a result of these two dramatically different trends, the ratio between these insurers' claims payments and premiums fell by more than half between 2000 and 2004: it declined from 69.9% to 33.6% on a net basis, and from 68.8% to 32.1% on a gross basis. Put another way, in 2004 the leading medical malpractice insurers took in approximately three times as much in premiums as they paid out in claims.

Moreover, several insurers substantially increased their premiums even though their claims payments actually fell--and fell substantially. For example:

either their actual payments in malpractice cases or their estimated future payments in malpractice cases would justify.

I. Introduction

This Report analyzes the 2000-2004 performance of the 15 largest A.M. Best-rated¹ medical malpractice insurance companies in the United States based primarily on data from their 2004 Annual Statements filed with state insurance departments. The insurers analyzed include both investor-owned stock companies, such as AIG-affiliate Lexington Insurance Company, and doctor-owned mutual companies, such as ISMIE Mutual Insurance Company in Illinois.

The Report analyzes the performance of these insurers, who account for the majority of the medical malpractice business written in the United States, in three different ways:

- it compares the amount they have collected in premiums in each of the last five years to the amount they have paid out in claims in each of those years;
- it compares the premiums they have earned in each of those years to the amount they projected they would ultimately pay out on policies in effect in each of those years; and
- it analyzes the growth during the past three years in each insurer's surplus--the extra cushion the insurer holds in addition to the amount it has set aside to pay projected future claims.

The Report finds the following:

- Over the last five years the amount the major medical malpractice insurers have collected in premiums has more than doubled, while their claims payouts have remained essentially flat.
- Some malpractice insurers substantially increased their premiums even while both their actual claims payments and their estimated future claims payments decreased.

¹ A.M. Best, headquartered in Oldwick, New Jersey, is the principal rating agency for the insurance industry. All 15 insurers are rated at least B+ (Very Good) by Best's. Eleven are rated A- (Excellent) or better. The only major malpractice insurance company not rated by Best's is Medical Liability Mutual Insurance Company (MLMIC), which writes almost exclusively in New York and does not disclose its surplus in its Annual Statement.

B. Earned premiums vs. projected losses

Another way to measure the performance of an insurance company is to compare the premiums it earns in a given year with the claims it projects it will pay in future years on policies in effect in that year.

Earned premium refers to the portion of the premium that is attributable to a particular period of coverage. For example, if a policy covering the period July 1, 2004 through June 30, 2005 costs \$100, the insurance company writes \$100 in premium for calendar year 2004, but earns only \$50 in premium for calendar year 2004, since only half of the coverage provided by that policy occurs in 2004. Because insurance companies continually write policies, earned premium and written premium typically do not differ greatly.

The claims an insurer projects it will ultimately pay that are covered by premiums earned in a given year are referred to as the insurer's "incurred losses" for that year. To the lay person the term "incurred losses" is misleading, since an insurer's "incurred losses" are not payments the insurer has made but rather are estimates of the claims the insurer projects it will pay in the future which ultimately may or may not be paid. In fact, many malpractice insurers have in the past posted incurred loss estimates that ultimately proved to be substantially overstated -- sometimes by as much as 40%. Accordingly, insurers acknowledge in their Annual Statements that their reserves -- the amount they have set aside to pay their projected incurred losses -- are likely to be materially inaccurate and in the past have been materially inaccurate. Nevertheless, insurers and regulators typically use the incurred loss ratio as a measure of profitability. The Report therefore sets out the insurers' earned premium and projected losses, along with the ratio between those two numbers, for each of the last five years. That ratio is referred to as the incurred loss ratio.

Table 1
Net Written Premium vs. Net Losses Paid,
2000-2004 (in millions of dollars)

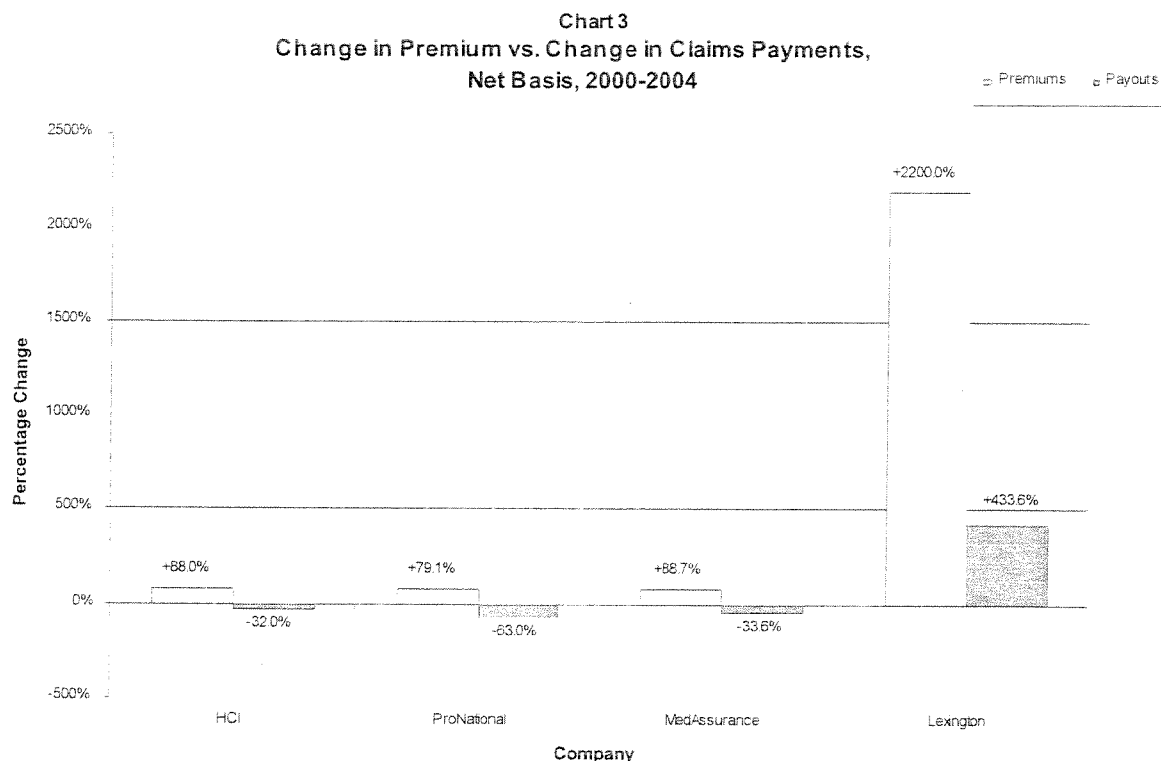
Company ³		2000	2001	2002	2003	2004	Change
MedPro	NPW	267.1	345.0	538.4	713.5	526.3	+97.0%
	NPL	152.4	151.9	190.4	216.9	257.8	+69.2%
	Ratio	57.0%	44.0%	35.4%	30.4%	49.0%	
Lexington	NPW	21.1	94.2	274.5	442.7	483.0	+2200.0%
	NPL	12.2	33.4	25.9	14.6	65.1	+433.6%
	Ratio	58.1%	35.5%	9.4%	3.3%	13.5%	
TDC	NPW	209.7	274.1	389.2	332.0	457.2	+118.0%
	NPL	115.1	123.8	171.5	167.6	143.2	+24.4%
	Ratio	54.8%	45.2%	44.1%	50.5%	31.1%	
HCI	NPW	197.1	260.3	318.6	377.0	370.1	+87.8%
	NPL	231.8	168.0	182.5	190.7	157.6	-32.0%
	Ratio	117.6%	64.5%	57.3%	50.6%	42.6%	
Continental	NPW	114.3	89.5	196.5	245.1	347.1	+232.8%
	NPL	208.7	188.7	71.5	-79.4	157.0	+24.8%
	Ratio	182.6%	210.8%	36.4%	-32.4%	45.2%	
MedAssurance	NPW	170.5	156.9	227.0	294.2	321.7	+88.7%
	NPL	48.2	68.1	62.5	48.1	32.0	-33.6%
	Ratio	28.3%	43.4%	27.5%	16.3%	9.9%	
ProMutual	NPW	98.1	127.0	171.2	190.9	263.4	+168.4%
	NPL	115.7	107.8	78.8	90.6	93.6	-19.1%
	Ratio	117.9%	84.8%	46.0%	47.5%	35.6%	
MAG Mutual	NPW	82.7	114.1	142.2	157.2	256.6	+210.2%
	NPL	38.1	40.4	60.5	77.2	83.3	+118.4%
	Ratio	46.1%	35.4%	42.6%	49.1%	32.5%	
ISMIE	NPW	139.4	175.5	217.5	276.8	223.8	+60.1%
	NPL	129.8	115.1	119.4	126.2	126.6	-2.5%
	Ratio	93.1%	65.6%	54.9%	45.6%	56.6%	
Norcal	NPW	129.3	170.3	169.2	201.2	200.8	+55.3%
	NPL	52.8	70.1	82.0	81.5	69.7	+32.0%
	Ratio	40.8%	41.2%	48.5%	40.5%	34.7%	
ProNational	NPW	110.1	132.1	148.7	193.0	197.2	+79.1%
	NPL	67.6	77.3	56.9	53.1	25.0	-63.0%
	Ratio	61.4%	58.5%	38.3%	27.5%	12.7%	
AP Capital	NPW	157.1	179.6	208.7	109.8	170.9	+8.8%
	NPL	61.8	90.1	117.3	118.3	64.6	+4.5%
	Ratio	39.4%	50.2%	56.2%	107.7%	37.8%	
State Vol.	NPW	77.4	94.5	130.8	135.2	150.0	+93.9%
	NPL	41.8	54.5	56.6	50.7	70.7	+69.1%
	Ratio	54.0%	57.6%	43.2%	37.5%	47.1%	
FPIC	NPW	110.3	93.6	94.0	103.4	136.5	+23.7%
	NPL	45.0	53.2	48.3	27.9	49.1	+9.1%
	Ratio	40.7%	56.9%	51.4%	27.0%	35.9%	
Evanston	NPW	38.1	60.4	123.3	137.3	128.5	+237.3%
	NPL	23.4	21.1	30.0	32.1	26.0	+11.1%
	Ratio	61.4%	34.9%	24.3%	23.4%	20.2%	
Totals	NPW	1,922.2	2,367.1	3,349.8	3,909.3	4,233.1	+120.2%
	NPL	1,344.4	1,363.5	1,354.1	1,216.1	1,421.3	+5.7%
	Ratio	69.9%	57.6%	44.4%	31.1%	33.6%	

³ Appendix A sets forth the full name of the company, along with its insurance holding company parent, if any, and its Best's rating. It also lists the states in which the company writes medical malpractice coverage.

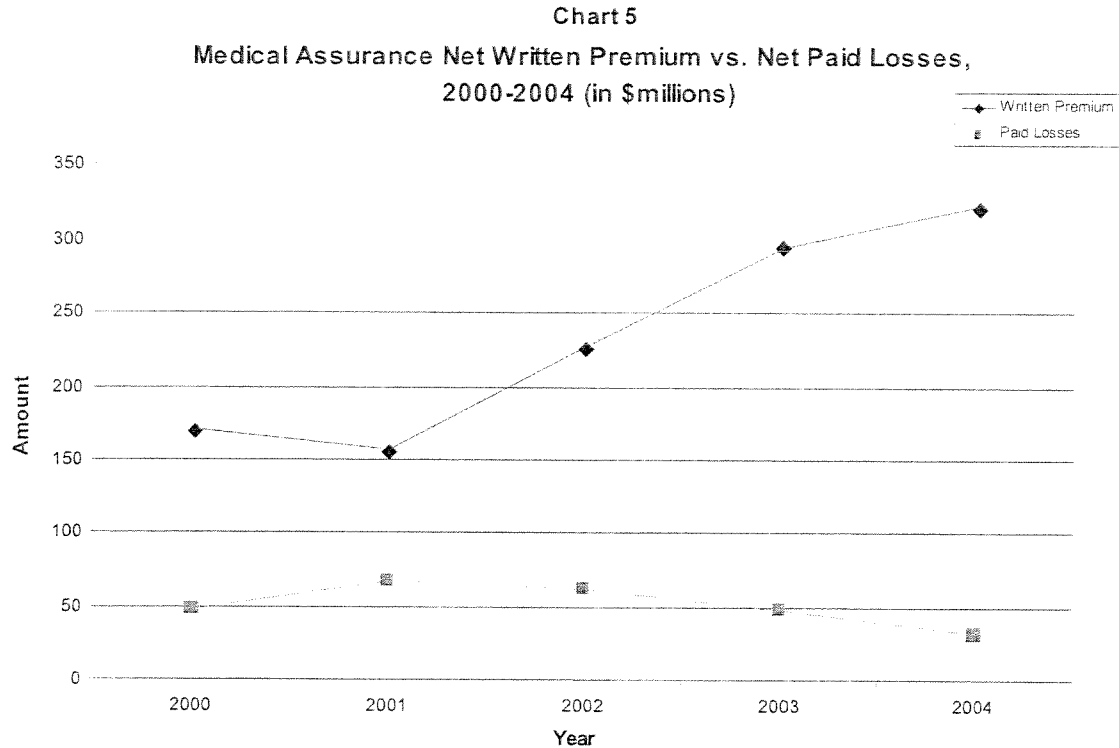
Table 2
Gross Written Premium vs. Gross Losses Paid,
2000-2004 (in millions of dollars)

Company		2000	2001	2002	2003	2004	Change
Lexington	GPW	71.8	170.4	567.4	788.9	778.6	+984.4%
	GPL	23.9	75.7	65.9	100.1	124.2	+419.7%
	Ratio	33.3%	44.4%	11.6%	12.7%	16.0%	
MedPro	GPW	296.8	380.2	586.5	849.3	736.5	+148.1%
	GPL	200.2	189.3	230.0	250.9	296.8	+48.2%
	Ratio	67.5%	49.8%	39.2%	29.5%	40.3%	
TDC	GPW	236.6	311.3	428.1	431.3	489.6	+106.9%
	GPL	130.4	140.7	196.0	197.5	155.0	+18.9%
	Ratio	55.1%	45.2%	45.8%	45.8%	31.7%	
ISMIE	GPW	164.8	209.0	265.6	364.3	425.3	+158.1%
	GPL	163.8	141.3	158.1	165.2	153.4	-6.3%
	Ratio	99.4%	67.6%	59.5%	45.3%	36.1%	
HCI	GPW	243.6	288.4	344.7	386.5	382.2	+56.9%
	GPL	276.8	193.5	237.3	206.9	187.1	-32.4%
	Ratio	113.6%	67.1%	68.8%	53.5%	49.0%	
MAG Mutual	GPW	87.8	131.4	216.3	286.9	358.7	+308.5%
	GPL	48.8	50.8	79.1	95.6	102.7	+110.5%
	Ratio	55.5%	38.7%	36.6%	33.3%	28.6%	
Med Assurance	GPW	196.3	224.5	292.3	335.8	357.0	+81.9%
	GPL	76.4	96.4	83.5	60.5	59.9	-21.6%
	Ratio	38.9%	42.9%	28.6%	18.0%	16.8%	
ProMutual	GPW	107.0	148.4	182.8	216.2	273.3	+155.4%
	GPL	117.9	117.7	84.0	92.3	100.6	-14.7%
	Ratio	110.2%	79.3%	46.0%	42.7%	36.8%	
FPIC	GPW	179.3	212.2	295.8	287.0	285.2	+59.1%
	GPL	59.7	79.1	70.3	78.9	101.0	+70.4%
	Ratio	33.3%	37.3%	23.8%	27.5%	35.7%	
State Vol.	GPW	98.0	120.4	164.0	212.6	241.5	+146.4%
	GPL	51.7	61.8	64.1	59.3	76.9	+48.8%
	Ratio	52.7%	51.3%	39.1%	27.9%	31.8%	
Norcal	GPW	150.7	179.0	181.9	212.2	209.5	+39.0%
	GPL	57.4	85.0	89.8	86.1	73.7	+28.4%
	Ratio	38.0%	47.5%	49.4%	40.6%	35.2%	
ProNational	GPW	139.6	151.9	167.8	203.6	207.5	+48.6%
	GPL	81.4	89.4	68.2	67.5	39.4	-51.6%
	Ratio	58.3%	58.9%	40.6%	33.2%	19.0%	
Continental	GPW	72.2	140.2	177.5	173.0	196.6	+172.3%
	GPL	165.7	150.7	151.8	111.9	108.4	-34.6%
	Ratio	229.5%	107.5%	85.5%	64.7%	55.2%	
AP Capital	GPW	170.0	209.7	236.8	135.7	192.3	+13.1%
	GPL	69.7	109.2	142.1	142.9	88.1	+26.5%
	Ratio	41.0%	52.1%	60.0%	105.3%	45.8%	
Evanston	GPW	45.1	78.1	171.2	182.4	164.5	+264.7%
	GPL	26.2	23.7	36.1	38.4	30.9	+17.9%
	Ratio	58.1%	30.3%	21.1%	21.6%	18.8%	
Totals	GPW	2,259.6	2,955.1	4,278.7	5,065.7	5,298.3	+134.5%
	GPL	1,550.0	1,604.2	1,756.3	1,754.0	1,698.8	+9.6%
	Ratio	68.6%	54.3%	41.0%	34.6%	32.1%	

Moreover, several insurers substantially increased their premiums even though their claims payments fell substantially, as Chart 3 indicates.



For example, HCI increased its net premiums by \$173 million, or 88%, during the same period in which its claims payments fell by \$74.2 million, or 32%. Even more striking is the divergence between the premiums and claims payments of Medical Assurance and ProNational, both of which are subsidiaries of the same parent company, ProAssurance Corporation. Unlike HCI, both those companies had net written premium which already exceeded their claims payments in 2000, yet they continued to increase their premiums substantially while their claims payments declined substantially. ProNational, for example, had net premiums of \$110.1 million and net claims payments of \$67.6 million in 2000, for a paid loss ratio of 61.4%. Yet over the next four years it increased its premiums by \$87.1 million, or 79%, while its claims payments fell by \$42.6 million, or 63%, as Chart 4 indicates.

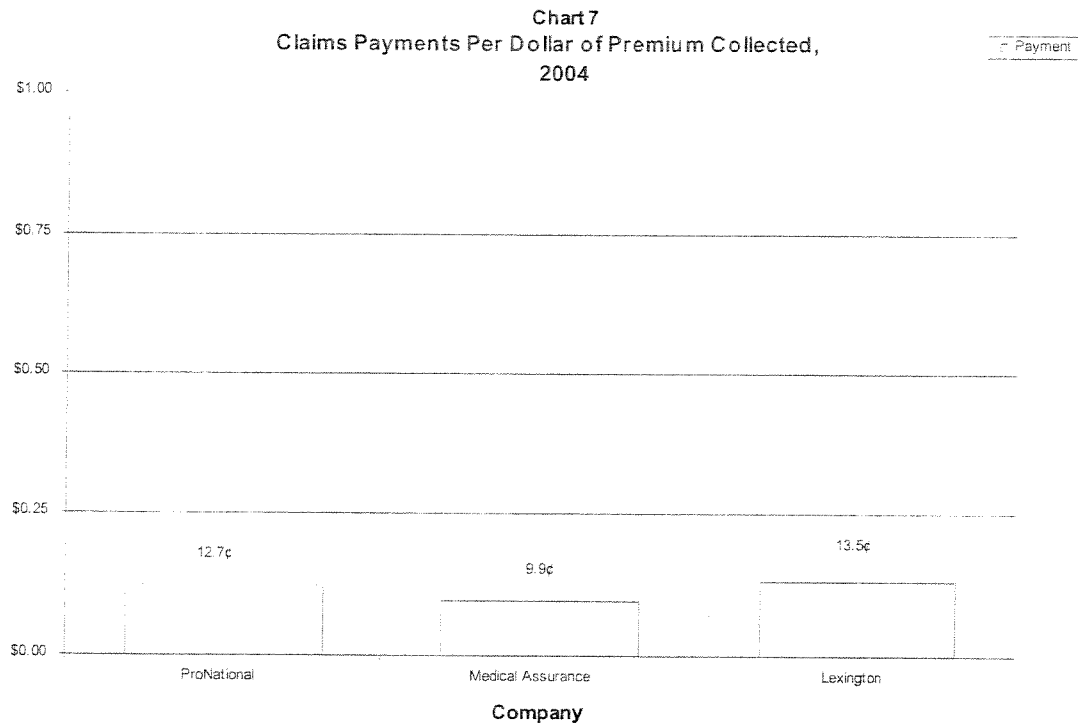


As a result, in 2004 Medical Assurance took in \$322 million in premiums but paid out only \$32 million in claims, for a paid loss ratio of 9.9%. In other words, it was paying out only 10 cents in claims for each dollar it was collecting in premium.

The most striking results of all, however, were reported by AIG subsidiary Lexington Insurance Company. As Chart 6 indicates, Lexington reported that its net written premiums increased from \$21.1 million in 2000 to 483.0 million in 2004—an increase of \$461.9 million, or 2200%—while its net paid losses increased by only \$52.9 million.

credulity, however, to believe that since 2000 the number of doctors insured by Lexington could have increased by anywhere near the 2200% by which its premiums have increased.

The amount paid out in claims in 2004 for each dollar of premium collected in 2004 by ProNational, Medical Assurance and Lexington is shown in Chart 7:



B. Earned premiums vs. projected losses

Like their paid loss ratios, the incurred loss ratios of the 15 leading malpractice insurers have plummeted: as Table 3 indicates, the average incurred loss ratio for those carriers fell by almost 25% during the period 2000-2004, to 51.4%. Looked at another way, those carriers taken together earned in premiums in 2004 almost twice as much as they estimated they would ultimately pay out in claims on those premiums.

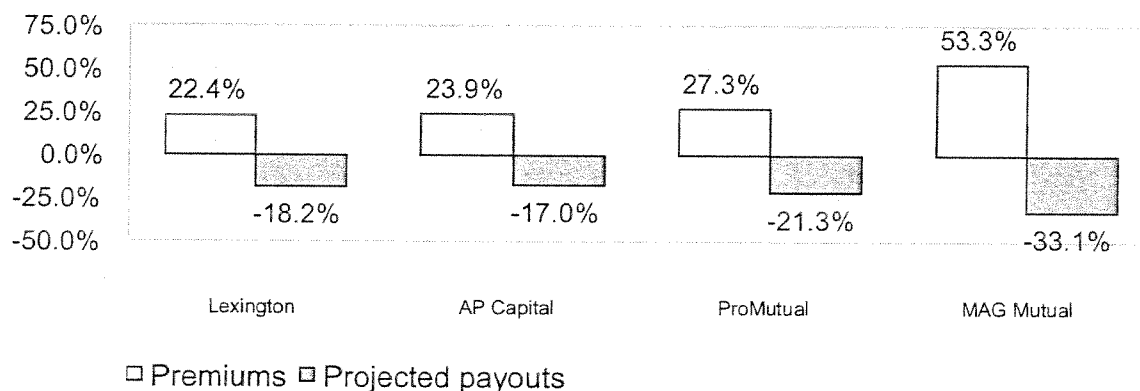
Notably, two insurers--ProNational and Medical Assurance--had extraordinarily low 2004 incurred loss ratios of 33.1% and 34.4%, respectively. Thus, those insurers earned in premium in 2004 approximately three times as much as they projected they would ultimately pay out in claims covered by those premiums.

Perhaps most significant, as Table 4 indicates, in 2004 the 15 leading malpractice carriers taken together increased their premiums while at the same time reducing the amount they projected they would ultimately pay out on those premiums: their earned premiums rose by 9.3%, while their incurred losses fell by 21.1%.

payments; ProMutual, which increased its premiums by 27.3% while projecting a 21.3% decline in future payments; and MAG Mutual, which increased its premiums by 53.3% while projecting a 33.1% decline in future payments.

Chart 8

**Premium Increases vs. Projected Claims Payment Decreases,
2003-2004**



C. Surplus analysis

As a result of having increased their premiums while reducing both their actual and projected claims payments over the last several years, the leading medical malpractice insurers have substantially increased their surplus. Specifically, the twelve “monoline” medical malpractice insurers--those which write primarily medical malpractice insurance--increased their surplus by an average of more than 34% between 2002 and 2004. Two of those insurers--Healthcare Indemnity and Norcal--increased their surplus by more than 50%. See Table 5.

Table 6

Excess Surplus
12 Largest Monoline Medical Malpractice Insurers, 2004
(in millions of dollars)

Company	Actual Surplus	Adequate Surplus (per NAIC)⁶	Excess Surplus	Actual As % Of Adequate
HCI	767.8	418.5	349.3	183.5%
MedPro	510.8	213.2	297.6	239.6%
TDC	405.6	162.0	243.6	250.4%
Norcal	309.1	120.0	189.1	257.6%
MedAssurance	276.9	149.1	127.8	185.7%
ProNational	241.8	126.6	115.2	191.0%
AP Capital	200.1	85.7	114.4	233.6%
MAG Mutual	194.9	90.2	104.8	216.2%
ISMIE	212.5	110.6	101.9	192.1%
FPIC	145.4	49.1	96.3	295.9%
State Volunteer	167.9	80.9	86.9	207.4%
ProMutual	378.5	302.4	76.0	125.1%
Totals	3811.3	1908.3	1902.9	199.7%

The three leading medical malpractice insurers who also write substantial amounts of other types of insurance also greatly increased their surplus between 2002 and 2004. However, they do not allocate their surplus by line in their Annual Statements, and therefore their surplus is not included in Tables 5 and 6.

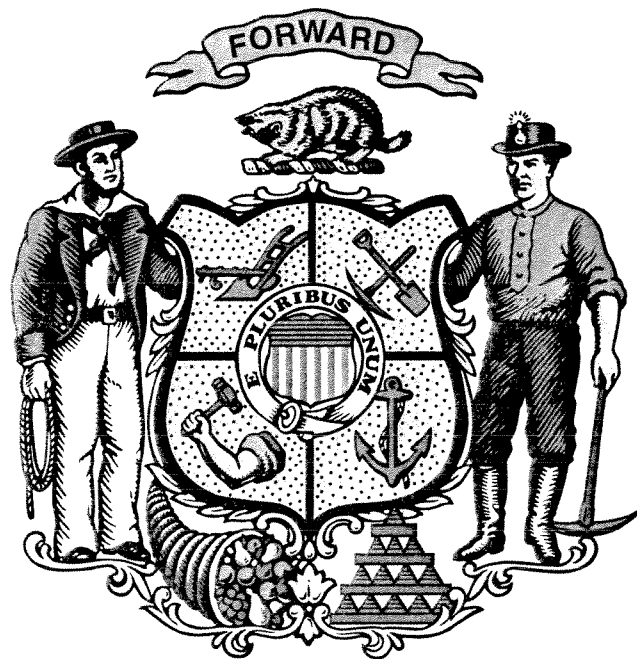
D. A note about medical malpractice insurance stock performance

Of the 15 insurers analyzed in this study, nine are mutual insurers owned by their policyholders rather than stockholders, three are stock companies for whom medical malpractice constitutes a relatively small part of their business, and three are stock companies writing primarily medical malpractice insurance. The performance of the stocks of these latter three companies – AP Capital, FPIC, and ProAssurance – is therefore the best indicator we have of how Wall Street views the medical malpractice insurance business.

⁶ Adequate surplus pursuant to the Risk-Based Capital standards promulgated by the National Association of Insurance Commissioners and adopted by the states.

APPENDIX A

<u>Company</u>	<u>Holding Company</u>	<u>Best's Rating</u>	<u>Writing in:</u>
The Medical Protective Company	GE Insurance Solutions Corporation	A-	All but NY
Lexington Insurance Company	American International Group	A++	All states but KY and WY
Doctors Company, An Interinsurance Exchange	Doctors Company, An Interinsurance Exchange	B++	All but NY
Health Care Indemnity, Inc.	HCA, Inc.	A-	AL, AK, AZ, AR, CA, CO, FL, GA, ID, IN, KS, KY, LA, MS, MO, NV, NH, NM, NC, OH, OK, OR, SC, TN, TX, UT, VA, WA, WV
Continental Casualty Company	CNA	A	All states
The Medical Assurance Company, Inc.	ProAssurance Corporation	A-	AL, AR, FL, GA, HI, IN, KS, KY, MN, MO, NC, OH, PA, SD, TN, TX, VA
Medical Professional Mutual Insurance Company	ProMutual Group	A-	CT, MA, ME, NH, IN, RI, UT
MAG Mutual Insurance Company	MAG Mutual Insurance Company	A-	AL, FL, GA, NC, SC, TN, VA
ISMIE Mutual Insurance Company	ISMIE Mutual Insurance Company	B+	IL, IN, IA, MO



No Date



Who is WAPN?

The Wisconsin Association of Provider Networks is an association whose members represent nearly **1.8 million Wisconsin health care consumers**. In 2004, our members contracted for over **\$4 billion dollars in health care expenditures**. Our members are made up of entities that produce Preferred Provider Organization (PPO) type products, including provider networks and insurance carriers.

WAPN's membership include such organizations as:

AHC/MultiPlan	Beech Street
✓ Council for Affordable Health Insurance	Delta Dental
✓ Golden Rule Insurance Company	HealthEOS/MultiPlan <i>jin</i>
Medco	Midwest Security Insurance Company
PacificCare/AMS	Vision Insurance Plan of America, Inc
Wausau Benefits	

As an association, one of our concerns focuses on the cost of health care. Increases to health care costs adversely affect consumers, not only from the direct financial impact of those increases, but indirectly through the wages offered by employers. Simply put, premiums for health insurance are reflective of health care costs, and as employers pay more for those premiums, those increases come directly from wages paid to employees.

The products and services our members provide to Wisconsin consumers are consistent with the free market approach. We believe the health care consumer should be allowed to freely choose their provider of care. We also believe the consumer should be given options to seek such care in as cost effective a manner as possible. Our approach to purchasing health care is a consumer friendly method where consumers can make educated and informed decisions on the purchase of their health care, based on quality, cost and value. The bottom line, however, is that decisions are made by the consumer.

WAPN is committed to the growth and well being of the industry through its role as: A proactive advocate for the industry; the recognized spokesperson on behalf of the PPO product to the government, media, trade and general public; an educator for our members and consumers; and, a forum for interaction that addresses the key issues confronting this industry.

Wisconsin Association of Provider Networks
4600 American Parkway, Ste 208
Madison, WI 53718
608-2413-1007 Fax: 608-241-7790

Preferred Provider Organizations (PPO)

A Preferred Provider Organization (PPO) is the term often used to describe the type of health care plan that utilizes a PPO Network. Most PPO plans are traditional “fee for service” insurers, or indemnity insurers, who contract with providers to obtain discounts in the fees charged by hospitals, doctors and other ancillary line providers. The other most common form of a PPO is a self-funded employer who also contracts with providers to obtain these same discounts.

PPO's Manage Costs Not Care

Unlike an HMO, PPO's sole relationship with health care providers is to contract for discounts in their fees in hopes that the incentives used by the plan will generate more patients for these providers. PPO's do not attempt to manage or ration care, and the providers they contract with would not allow PPO's to interfere with the care of their patients. While some insurers also implement Utilization Management tools, it does not define the PPO component of any plan.

Types of PPO's

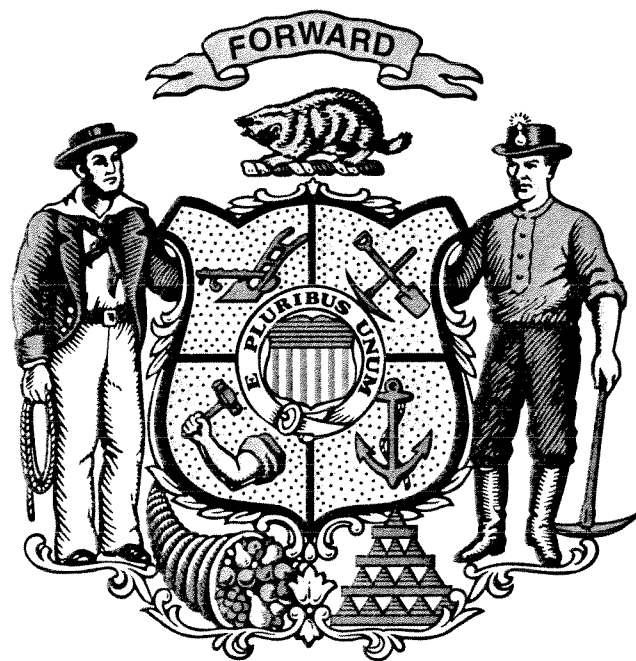
If you've seen one PPO, you've seen one PPO. There are a wide variety of configurations within a potential PPO structure. Insurers that contract directly with providers technically operate their own network. However, the more common approach is that providers are rented, or leased, through independent PPO networks. These independent networks contract with hundreds of providers in many different geographic regions and lease their networks to either insurers, or directly with self-funded employer groups. These independent networks can either be owned by providers, or more typically, by an independent company. The geographic region that these networks cover determine whether they are classified as National, State, or Local networks. Many HMO's have developed PPO type plans in order to compete in the PPO market. The fundamental difference, however, is that the relationship HMO's have with their providers allows for contractual management of care provisions. Additionally, many HMO's still require the choosing of a primary care provider and referrals to see other doctors.

Freedom of Choice

The key word in the term Preferred Provider Organization is “Preferred”, as enrollees of PPO's have the complete freedom of choice to see any doctor or hospital they want. PPO's contract with “Preferred” providers rather than “Required” providers as a PPO benefit plan provides coverage for any provider regardless of whether they are in the network or not. PPO's simply use incentives within their benefit design to encourage use of these “Preferred” providers. Furthermore, PPO plans do not require their enrollees to obtain referrals just to see other doctors, nor do they require the enrollee to choose a Primary Care Provider. The decision to see a PPO provider is made strictly by the patient each time they seek health care.

PPO's Represent 60% of the Market!

Nationally, and in Wisconsin, PPO's represent roughly 60% of all fully insured and self-funded lives. By contrast, HMO's only represent approximately 30% of the market. The overwhelming popularity of PPO plans by consumers demonstrates the need to preserve this market choice.



Kaiser study predicts interest in HSA's growing
FORBES article last month

70% of w/l pop
covered by ~~the~~
employer paid
insurance

Studies show
Heartland Institute

43% no prior insurance

46% ^{29-50%} incomes less \$50K

36% high school or tech

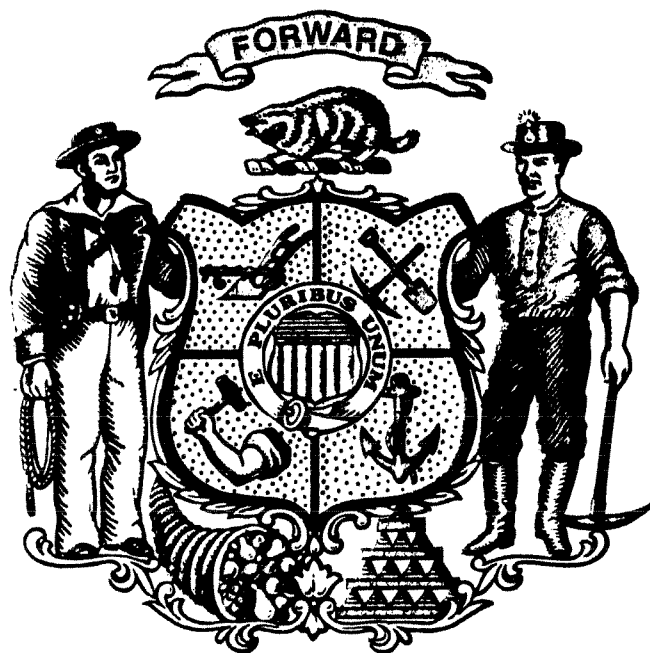
over 60% over 40

1 of 11 states
good for employees,
employers, farmers
portable, consumer
in charge

HSA's: a step on the
journey towards
individual responsibility

~~It should~~ If you believe that w/l
should have more ^{city} ~~state~~ insurance

9768-2501-896



Health Savings Accounts Thoughts for floor

Health insurance costs are a major concern for businesses, big and small.

One way to reduce the costs of health insurance in the long run is to re-establish a level of **consumer driven competition** in the purchase of health care services. Consumer behavior has been thwarted by the **current benefit design and structure of health insurance** policies, which remove the patient from the financial responsibility of their own health care.

Individual behavior is changed when there is an economic stake in the decision making process. This has come to be known as Consumer-driven health plans.

HSA's represent a step on
This is a part of the journey towards individual responsibility

The concept is that an employer saves money by offering a high deductible health plan and by putting the out of pocket expense in a tax-exempt savings account for the employee. Experience shows that an employer can purchase \$2,000 deductible and deposit \$2,000 in an FSA and still spend less money than a first dollar account.

The employee can roll over funds not expended at the end of the year. For healthy workers, these funds can accumulate over time, and can be utilized for medical care should they ever find themselves unemployed or uninsured.

If you are unemployed or laid off and are collecting unemployment insurance, then you can use funds from your Health Savings Account to pay for your health insurance premium and for your routine health expenses -- all tax-free.

Another advantage is that you can spend tax-free money out of your Health Savings Account for long-term care insurance.

The maximum HSA deposit for a family cannot exceed the deductible, or in the case of a deductible higher than \$5,150, the HSA deposit cannot exceed \$5,150 in 2004.

For single individuals, your maximum HSA deposit cannot

exemption of 11 states

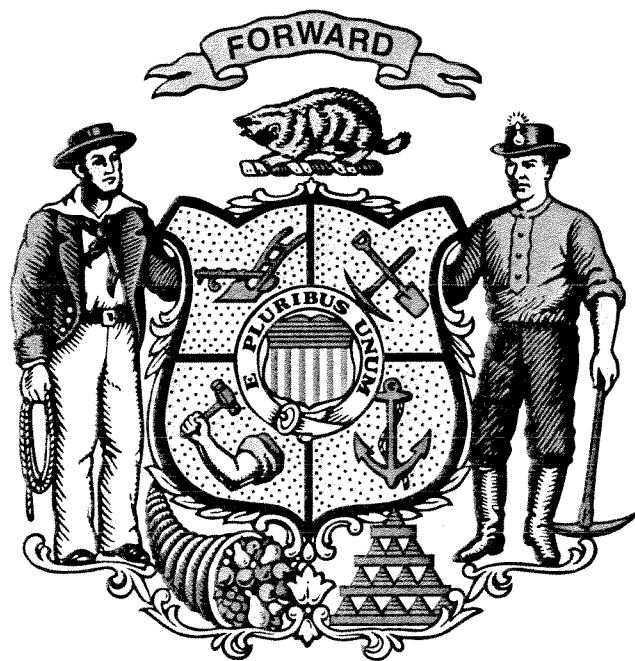
disadvantage for HSA's

46% ↓ \$50

*↓ 45% old
smiling
farmers*

*portable
consumer
is in chg*

*Pub: roll over
HSA's w/o penalty
retroactive to 2004*



no
date ??

exceed your deductible, and in cases of a deductible higher than \$2,600, your HSA deposit cannot exceed \$2,600 in 2004.

We heard the concern that employees would self-select, sicker workers choosing the first dollar policy, and healthy workers choosing the high deductible. If the coverage in the underlying plans are the same, this should not be the case.

Opponents say that it discourages prevention and wellness visits. Employers can offer high deductible policies which include coverage for physicals and preventive visits. It is in the employer's best interest to keep the business pool in good health.

Opponents also say that this is a tax gimmick for the wealthy. While it is true that the value of a tax break increases with income, it is also a mechanism for a young, healthy worker to accumulate tax-free dollars, which could be used during a future period of unemployment to cover premiums or to cover health care.

The funds in an HSA can never be used for anything other than approved health uses during the lifetime of the holder, without penalty and taxes.

Example from Florida

- \$755.67:** Average monthly premium for average 2003 Family Health Insurance
- \$9,068:** Annual 2003 Cost of Family Health Insurance in the U.S. according to the Kaiser Foundation

Family Medical Savings Account Offered in Florida

- \$234:** Monthly Premium for a \$5,150 Deductible HSA Family Health Insurance Policy (40 to 49 yr. old primary insured)
- \$2,808:** Annual Premium for a \$5,150 Deductible Family Health Insurance Policy
- \$5,150:** **\$5,150: Goes in your pocket, into your Health Savings Account** (instead of paying the insurance company for higher premiums, you keep this money for you and your family)

\$7,958: Total cost of Premium and 100% Funded HSA

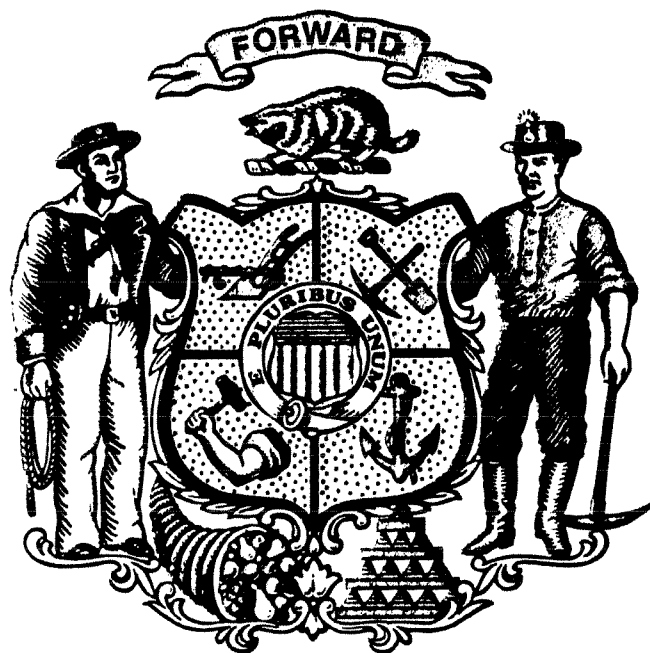
Compare Costs:

Health Savings Accounts Thoughts for floor

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\$7,958: Total cost of Premium and 100% Funded HSA

\$1,100  **Savings a Year with a Fully Funded HAS**



No
Date??

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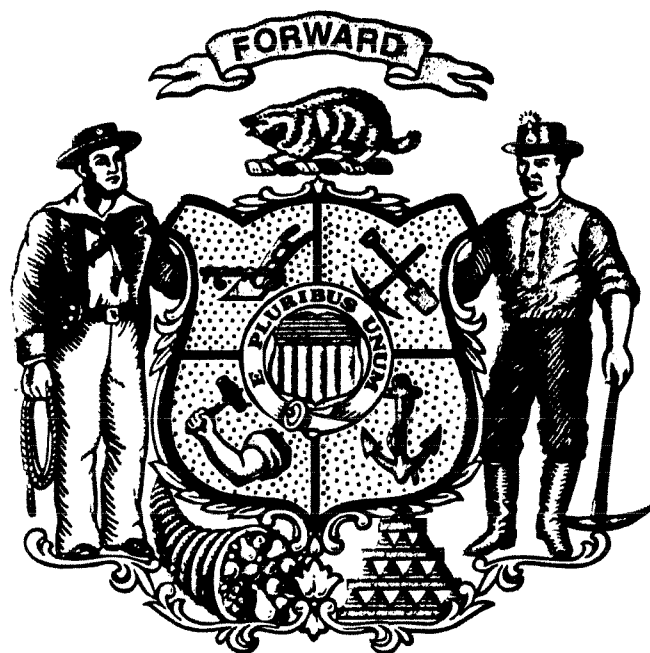
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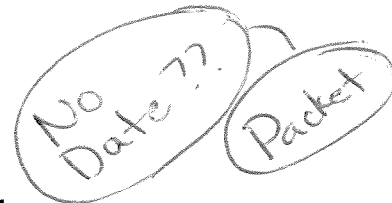
Health Savings Accounts Thoughts for floor

Foundation

\$7,958: Total cost of Premium and 100% Funded HSA

\$1,100 ← **Savings a Year with a Fully Funded HAS**





PCBs: The silent killer of the Fox River

PCBs (short for polychlorinated biphenyls) are a family of 209 toxic chemicals that have polluted the Fox River, primarily as a result of the manufacture of carbonless copy paper. The U.S. Department of Health and Human Services, the U.S. Environmental Protection Agency and the World Health Organization all have declared PCBs hazardous to the health of humans and animals that can alter the immune and nervous systems.

The Fox River currently contains approximately 67,000 pounds of PCBs in its riverbed; these PCBs can be stirred up easily and released into the ecosystem. There is an estimated 69,000 additional pounds at the river's mouth at Green Bay.

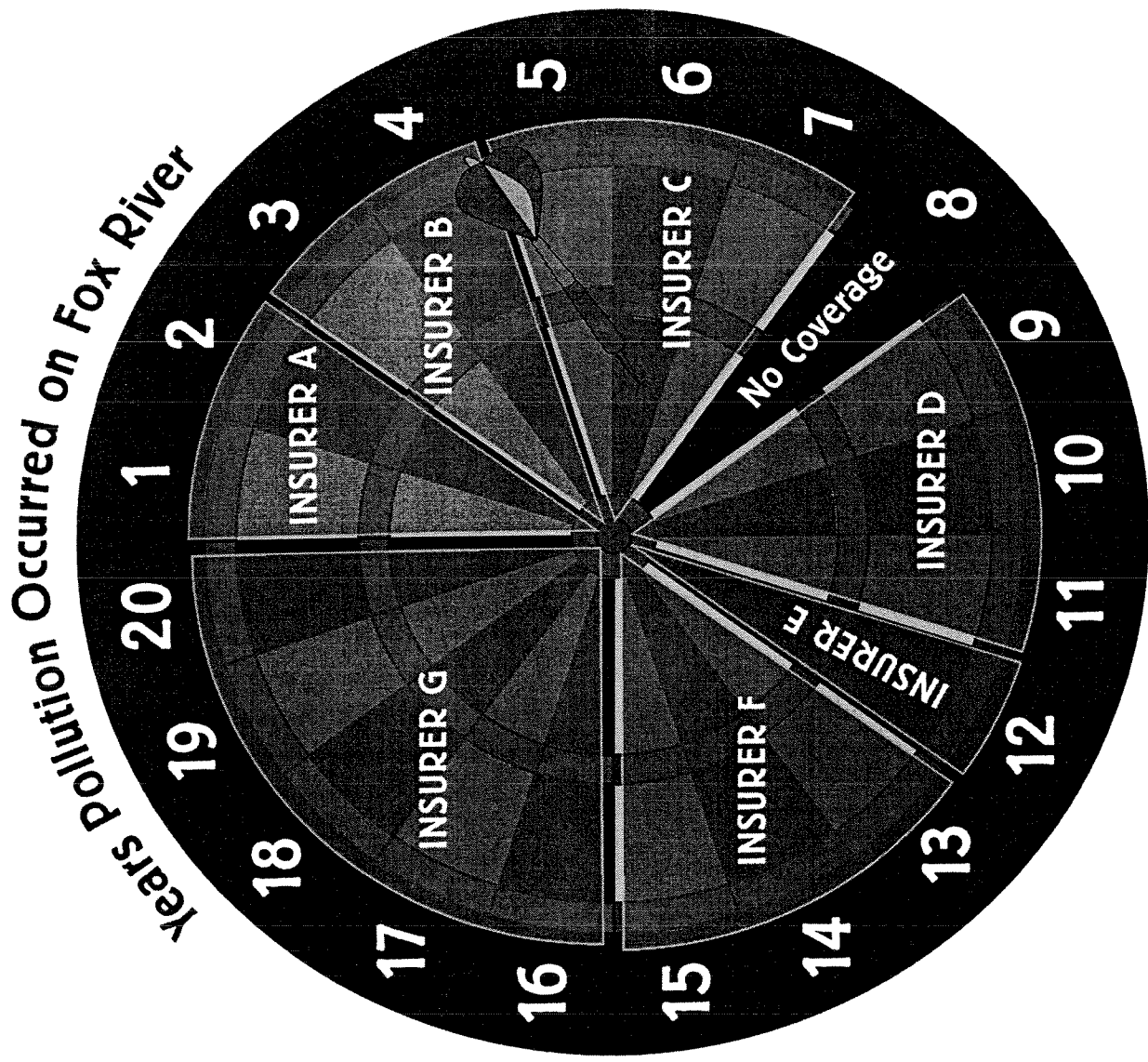
Source of the contamination

In 1954, as NCR Corporation and Appleton Paper Company began manufacturing carbonless paper, the companies also began dumping PCBs into the Fox River. The PCBs were byproducts of their joint production of PCB-coated carbonless copy paper. Shortly after this began, five other paper mills started recycling the PCB-contaminated trimmings and wastepaper originating from Appleton Paper Company. They also began dumping their own PCBs into the Fox River.

Polluters ignored mounting evidence of threat

In 1971, the Wisconsin Department of Natural Resources began conducting studies on the Fox River to determine the source of PCB contamination and discovered the connection between paper mill waste and the contamination. Also in 1971, Monsanto, which produced PCBs, put its customers on notice by requiring them to sign waivers relieving Monsanto from financial liability for improper uses of these chemicals.

From 1971 to 1972, Appleton Paper Company and NCR Corporation began phasing out PCB use in their carbonless paper products, a process that took several years. Wastepaper recyclers along the Fox River continued to process PCB contaminated waste papers for several decades afterward - long after these clear warnings that PCBs were a threat to the environment.



The “All Sums” Game

The proposed “all sums” legislation would in essence allow the policyholder to arbitrarily select whichever insurer they want – like the one currently with the deepest pockets – regardless of that insurer’s actual liability during the time the pollution occurred. This inverted lottery system is unfair and counter to the commonsense, standard approach that is used to begin to solve the question of liability – the ‘pro rata’ system, a method whereby expenses are divided equally among all the insurers.

The Wisconsin legislature should reject any attempt at such special interest legislation as “all sums” and allow the fair process already underway to clean the Fox River to continue.

Cleaning up the Fox River:

How paper companies are playing 'pin the tail' on insurance companies

The Fox River and Green Bay are suffering decades of pollution. The federal and state governments have determined that paper companies played a major role in damaging this valuable natural resource.

State and federal government agree that a major source of pollution in the Fox River is from polychlorinated biphenyls or PCBs. PCBs were produced in the United States between 1929 and 1977. Although used primarily in industrial applications as an electrical insulator, they were versatile enough to be used in a variety of ways for heat transfer, plasticizer in paints and in the instance of the Fox River, as a dye carrier in the production of carbonless copy paper. From the late 1950's until 1971, PCBs were discharged by paper companies into the Fox River, settling into the river's sediments. The US Environmental Protection Agency (USEPA) has estimated that nearly 160,000 pounds have made their way into Green Bay and Lake Michigan.

The dangers of PCBs stem from the fact that they accumulate at higher and higher levels in the food chain. Once released into the environment, PCBs are consumed by living organisms, which in turn, are consumed by other living organisms. As PCBs make their way up the food chain their concentration and toxicity increases. The health implications for long-term exposure to PCBs by humans and other living beings can include damage to the central nervous system, reproductive and developmental problems, liver damage and cancer. In the recent past, fish advisories have been issued for the Fox River and Green Bay, warning against consuming fish from these waters. The devastating impact of PCBs on our fragile ecosystem can already be measured by the scores of fish and wildlife species manifesting high levels of PCBs, and exhibiting both deformities and countless physiological abnormalities.

In 1971 the Wisconsin DNR undertook studies on the Fox River to locate the source of PCB contamination and established a connection between paper mill waste and contamination. Although a few paper companies began the lengthy process of phasing out PCBs usage in their

carbonless paper products, wastepaper recyclers along the Fox River continued to process PCB contaminated waste papers for decades after the poisonous impact of PCBs was recognized.

The issue of water, air and land pollution came to prominence in the U.S. in the mid-1970s when citizen concerns over pollution evolved into the environmental movement. Policymakers responded to the growing environmental awareness of citizens by enacting legislation to address the problem of pollution. One such law was the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, also called "Superfund"). This legislation created a mechanism for cleaning up the hundreds of severely polluted sites in the United States.

In 2003, the USEPA determined that the Fox River was eligible for cleanup under Superfund. The Superfund process works this way: the USEPA identifies the potentially responsible parties and orders them to cleanup the site. If the polluter fails to pay, the USEPA can decide to pay for cleanup and assess the cost, plus penalties, to the polluter. Nearly 300 sites have been remediated in the U.S. as part of the Superfund program, five of which, (Eau Claire, Germantown, Janesville, Sparta and Tomah) have occurred in Wisconsin over the past ten years.

Basic to the founding principle of Superfund, is the concept that the polluter pays: the responsible party should pay a fair share of the costs to clean up the pollution. Here in Wisconsin, the cleanup of the Fox River will cost approximately \$500 million. Typically, where damages have occurred over a period of time, environmental insurance claims are divided between the different insurance policies that were in effect during the number of years of each contract. This is known as the "pro rata" ("in accordance with the fixed proportion") allocation method that is fundamental to the tenets of contract law that governs all such contracts.

The polluters want to change their contracts by changing state law.

The paper companies responsible for polluting the Fox River are planning to introduce legislation where they can 'pin the tail' on any one insurance company with which it had a policy in effect at any time. The polluters won't capriciously decide which insurance company to stick with the bill. They will go after the insurance company with the deepest pocket to pay the full

amount, regardless of when the pollution occurred or when the insurance contract was in effect. The insurance company would then be responsible to pay the entire claim for damage done before or after its policy was in effect. This 'pin the tail' legislation will turn longstanding insurance case law on its head and usurp the role of Wisconsin courts in deciding how to resolve contractual disputes.

But that is just the beginning.

Under the pro rata system, the insurer predicts and plans for maximum claims covered under the policy. 'Pin the tail' legislation will rob insurance companies of that predictability and force them to try and manage unlimited financial risks. If passed, this legislation has the potential for generating hundreds of millions of dollars of losses for Wisconsin insurance companies. 'Pin the tail' legislation could be felt in the pocketbooks of Wisconsin's businesses and consumers – who currently enjoy some of the lowest insurance premiums in the nation.

'Pin the tail' legislation carries the potential to compromise every commercial insurance contract in the state, including those of Wisconsin-based insurers. As envisioned, it would apply retroactively and result in instability in Wisconsin's commercial insurance market. It's plain old-fashioned 'special interest' legislation both unprecedented and quite possibly unconstitutional. It will result in suits and counter-suits by attorneys for both the polluters and the insurance companies.

And it won't speed the clean up of the Fox River by even a day.

Isn't it only fair that polluters should pay for the mess they created? The seven paper companies that contributed to contaminating the Fox River have been accumulating cash reserves earmarked for their share of the river's cleanup. These companies have projected claims well into the future and contributed to their clean up reserves for the past three years. These actions are documented in their public filings with the federal government.

Wisconsin insurance companies have a long history of fulfilling their responsibility for legitimate claims. Wisconsin insurance companies have reason to feel proud about their role in the Wisconsin economy. There are over 2,000 licensed insurance companies based in Wisconsin, according to the Wisconsin Insurance Alliance. The number of Wisconsin men and women who work in the Wisconsin property and casualty insurance industry has grown steadily from 11,500 employees in 1975 to over 61,000 in 2004. Wages paid by insurers are higher than those paid by other Wisconsin industries with the average 2002 wage being \$45,614. As taxpayers, Wisconsin insurers have contributed more than \$107 million in direct state taxes.

And a healthy Wisconsin property and casualty insurance industry is good news for Wisconsin consumers, too.

The cost of homeowner's insurance in Wisconsin is the lowest in the nation, with average annual premiums of \$287.00. That amount is 56 percent below the national average, and Wisconsin consumer annual insurance premiums average \$573.46, which ranks 41st out of 50 states.

However, all that is threatened if the 'pin the tail' polluters are able to prevail with their special interest legislation. The polluters dumped thousands of pounds of contaminants in the Fox River. Now that it's time to clean up their mess, they want to shirk their responsibility. What the 'pin the tail' polluters have done to the Fox River they are now threatening to do to Wisconsin consumers by introducing this legislation.

It was wrong to pollute Wisconsin waters. It's wrong to 'pin the tail' on just one insurance companies to pay for the pollution.

Rather than changing the law, paper companies should focus on obeying the laws we have.

“All sums” and the Fox River: Myths and Facts

Over several decades, multiple paper companies released more than 67,000 pounds of toxic chemicals into Wisconsin's Fox River. After determining who the potentially responsible parties (PRPs) for the cleanup were, the Environmental Protection Agency designated the Fox River as a Superfund site and created a cleanup plan. The cleanup is expected to cost at least \$500 million, and could be the largest of its kind in the nation.

In response, the PRPs now are pushing legislation to alter the Superfund process and their contracts with insurance companies. At its core, the PRPs' so-called “all sums” proposal would strip the judiciary of its traditional role in deciding allocation of damages among insurance companies; instead, policyholders would be able to arbitrarily select one insurer and require that insurer to pay the entire cost of an environmental damage claim – i.e., “all sums” – up to the policy limits, even if some damage took place many years before or many years after the policy with that insurance company was in effect. To recoup the money for which it is not liable, the designated insurance company then would have to sue other insurance companies in Wisconsin court.

The debate over this issue and its potential effect on the Fox River cleanup has created confusion about the facts. This document provides a clear look at the truth.

Myth: “All sums” legislation will speed the Fox River cleanup.

Fact: “All sums” is pure special interest legislation. It is unprecedented and unconstitutional. Rather than accelerate the cleanup process, passage of “All sums” would open a Pandora's box of constitutional challenges, lawsuits and counter-suits by lawyers for paper companies and insurance companies. The best way to ensure that cleanup happens quickly and correctly is to allow the original Superfund cleanup process to proceed as planned.

Myth: “All sums” is the fairest way to deal with this problem.

Fact: The fairest way to deal with the Fox River situation is to allow the Superfund process to play out. Superfund gives all parties involved a clear method for determining their share of the costs. In contrast, it is wholly unfair for the Wisconsin legislature to allow polluters to arbitrarily pick one insurance company that then would be mandated to pay claims on the policies of all other insurance companies. “All sums” also is unfair to Wisconsin consumers, as businesses could end up having to pass on the cost of higher insurance premiums.

Myth: The battle really is about insurance companies not wanting to pay claims.

Fact: “All sums” will not change the total amount insurance companies will pay to help clean up the Fox River by one penny. Insurers will honor their contracts.

Myth: Paper companies may be forced to lay off workers or even close because of the expense related to cleanup.

Fact: The paper companies' own filings with the Securities and Exchange Commission reveal they have been reserving specific funds to pay for Fox River cleanup for years. Also, the paper companies have been very profitable. They should be able to pay for their part of the river cleanup without enactment of potentially unconstitutional insurance laws, and without having to lay off workers.

Myth: "All sums" is narrowly focused on big, out-of-state insurance companies that covered the Fox River paper companies, and will not impact small Wisconsin insurers or the businesses they insure.

Fact: "All sums" legislation has the potential to affect every commercial insurance contract in the state – including those of Wisconsin-based insurers. The proposal would apply retroactively, and would create instability and uncertainty in Wisconsin's commercial insurance market, affecting all the insurers who do business in the state.

Myth: Cleaning up the Fox River is a top priority for Wisconsin residents, and they are looking to the legislature to step in.

Fact: In a recent survey, Wisconsin voters – both in the Fox River area and across the state – ranked cleanup of the Fox River at the bottom of a list of issues requiring action by the legislature. Only 20 percent of voters rank the cleanup as a problem that needs to be addressed immediately.

Myth: "All sums" legislation is part of a national trend.

Fact: A type of "all sums" legislation has been passed by one state (Oregon), where it remains untested; it will be caught up in court challenges for years to come. In every other state, similar issues have been resolved where they should be resolved: in the courts.

Superfund: The proven process for environmental cleanups

Established in 1980 by Congress in response to citizen concerns about hazardous waste sites across the country, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, also called "Superfund") program is charged with cleaning up hundreds of large, complex, badly polluted sites.

Here in Wisconsin, a new proposed put forth by polluters, (known as "all sums" legislation) will interfere with the Superfund-managed cleanup of the Fox River. In addition, the "all sums" proposal is likely unconstitutional, and could result in making it nearly impossible for insurers to quantify the risk of financial losses in Wisconsin. This loss of predictability for insurers could result in increased commercial insurance rates for all Wisconsin businesses. This, in turn, could result in consumers paying more for goods and services. "All sums" also is certain to open a Pandora's box of lawsuits that will delay cleanup further.

Nearly 300 badly contaminated areas have been remediated in the U.S. under the auspices of Superfund, including five sites in Wisconsin over the last 10 years (Eau Claire, Germantown, Janesville, Sparta and Tomah).

Background

Hazardous waste became a prominent issue in the mid-1970s, when places like Love Canal, New York, became synonymous with extensive water, land and air pollution by corporations; the level and amount of pollution seemed almost beyond repair.

At that time, and for decades prior to the 1970s, hazardous waste storage and disposal methods were not subject to rigorous standards or oversight. Common practices included unsafe storage at a work site; putting the waste unlined storage or disposal areas such as ponds, deep wells or landfills; burning the waste; or, simply pouring it down the drain or into a river.

Citizens across the nation demanded protection against contamination from hazardous substances and, in 1976, the Resource Conservation and Recovery Act was enacted to avoid such pollution in the future. To deal with the vast number of sites that were already contaminated and posed "significant risk of imminent hazard," in 1980, Congress enacted the Superfund law, placing the program under the authority of the U.S. Environmental Protection Agency (EPA).

Fox River: The right use of Superfund

Superfund's founding central principle is "the polluter pays" – in other words, those responsible for the pollution and/or the needed cleanup should pay their fair share.

Because responsibility and the most appropriate cleanup methods at Superfund sites can be hard to determine, matters of liability often are determined by courts. For example, the cleanup of Love Canal came about through this type of process.

In 2003, after determining the Fox River was eligible for cleanup under Superfund, the EPA proposed a plan for the removal of harmful pollutants from the riverbed.

The typical Superfund process entails the EPA identifying potentially responsible parties (PRPs) and issuing a mandate for them to clean up the site. If the polluting entities fail to comply, the EPA can opt to pay for the cleanup and then charge the polluter to pay for the costs plus penalties (as much as three times the cost of cleanup, depending on the PRPs' financial holdings). To avoid business closures resulting from the application of a Superfund cleanup plan, the EPA has put in place provisions to limit payments by parties whose Superfund liability exceeds that party's means.

In summary, the Superfund process is a tested method for handling such complex environmental cleanup projects as the Fox River, and should be allowed to work in Wisconsin.

All Sums Legislation destroys fairness of Wisconsin business contracts

Paper companies found to be potentially responsible parties by Wisconsin and U.S. officials for pollution clean up at the Fox River are pushing legislation (termed "all sums") that would unilaterally rewrite the contracts signed with insurance companies many years ago. The legislation would radically alter the way business insurance claims are settled in Wisconsin and place the legislature in the unprecedented role of rewriting contracts amongst sophisticated entities. This is wrong. The resolution of contractual and commercial insurance coverage disputes should remain in the judicial system.

In most states, environmental insurance claims are handled using a "pro rata" allocation method as defined by the courts using established rules of contract law. Under pro rata allocation, damages (such as pollution) that took place over a long period of time basically are divided among all insurance policies in effect over that time, based upon the number of years of each contract.

Under the "all sums" proposal - which is similar to plans already rejected by courts in Minnesota, Michigan and Illinois - a potentially responsible party could arbitrarily pick any one insurance company with which it had a policy at any time to pay the full amount of a pollution claim, up to the policy limits, regardless of when the damage occurred. The tagged insurer, therefore, would be held responsible for damage done long before, or long after, its policy actually was in effect. This is like putting the insurance industry through the financial equivalent of Russian roulette.

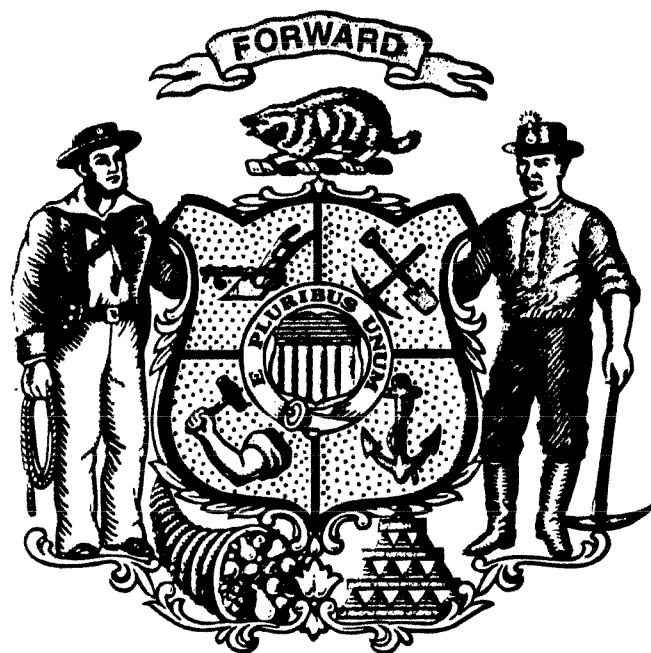
The proposal could drive up insurance rates for Wisconsin businesses

An "all sums" system undermines a central, guiding principle of effective risk management. Under the traditional pro rata system of liability allocation, insurers can predict (and plan financially for) the maximum claims covered by a policy. By eliminating this much-needed predictability and asking insurers to attempt to manage potentially unlimited financial risks, "all sums" could dramatically affect the premiums insurers charge Wisconsin businesses for commercial coverage.

The proposal will delay clean up indefinitely

The proposed "all sums" bill contradicts long-standing insurance case law - including established legal principles that a contract is governed by the law as it exists when the contract is signed, and that disputes over contracts are resolved by the courts, rather than by the legislature.

Given the substantial departure "all sums" represents from existing law, the constitutionality of such legislation is sure to be challenged. If the proposed legislation were to be enacted, it would lead to intense, prolonged litigation among all parties affected, delaying the cleanup of the Fox River indefinitely.



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American Family Insurance
Badger Mutual Insurance
Capitol Indemnity Corp
Church Mutual Insurance
CUNA Mutual Insurance Group
1st Auto & Casualty Insurance Co
General Casualty Insurance
Germantown Mutual Insurance
Homestead Mutual Insurance Co
Integrity Mutual Insurance
Jewelers Mutual Insurance
Kemper Auto & Home
League of Wisconsin Mutual
Manitowoc Mutual Insurance
Maple Valley Mutual Insurance
McMillan/Warner Mutual Ins
Mount Morris Mutual
Old Republic Surety Co
Partners Mutual Insurance Co
PIC Wisconsin
Progressive Northern Ins Co
Rural Mutual Insurance Co
Secura Insurance
Sentry Insurance
Sheboygan Falls Insurance
Society Insurance
Unitrin Business Insurance
Waukesha City Mutual Insurance
Wausau Insurance Cos
WEA Property & Casualty Co
West Bend Mutual Insurance
Wilson Mutual Insurance
WI American Mutual Insurance Co
WI Assn of Mutual Insurance Cos
WI County Mutual Insurance Co
WI Mutual Insurance Co

Associate Members:

Allstate Insurance
Auto Club Insurance Association
CNA
Farmers Insurance
Liberty Mutual
MEEMIC Insurance Co
Nationwide Indemnity
State Auto Insurance Cos
State Farm Insurance
St. Paul Companies
Western National Mutual Ins Co

"All Sums" Legislation: A Bad Idea for Wisconsin Business

Two Wisconsin lawmakers have proposed a bill that changes the way insurance contract law works in Wisconsin. The bill is designed by proponents to speed up the Fox River clean up by forcing one insurance company to pay for the entire clean-up – then leave it to insurers to sort out their respective financial liability.

As insurers, we believe this is a horrible idea for a number of reasons:

- **Courts, not lawmakers, should settle legal disputes.** Paper companies that dumped PCBs in the Fox River have been ordered by the state and federal government to clean up the mess. To what extent insurance companies must help pay for the cleanup is a legal matter that must be decided by courts, not new laws. That is why we have courts.
- **It's complex.** Paper companies actually stopped dumping the PCBs in 1971; the government banned PCBs in the 1980s; Over the last three decades, the paper companies have changed hands, changed insurers, and changed coverage – many times. It is impossible to sort out insurance liability with a new law in such a complex case.
- **The proposal is unfair.** Passing a law in 2005 to change contracts written years ago for damages done more than a quarter of a century ago is not only unfair, it's likely unconstitutional.
- **It is anti-business.** If lawmakers succeed in re-writing legal contracts years after damages have been done and claims filed, the adverse impact on Wisconsin contract law is enormous. What is the future of Wisconsin's insurance companies? What happens to those insurance policy holders with the company forced to pay the entire tab for the cleanup? What is the impact on all businesses if lawmakers decide they can rewrite contracts after the contract has been negotiated and signed between the parties?
- **It will not speed up the Fox River cleanup.** It is simply untrue that this legislation will change the pace of the cleanup. The federal and state government ordered paper companies to clean up their mess and do not care who pays for it. Paper companies have already told the Securities & Exchange Commission they have set aside reserves to pay for the cleanup. Insurance companies will pay for the portion of the cleanup for which their customers have coverage. A bill that rewrites the insurance contracts after the fact will be challenged in court as unconstitutional, creating a broader legal mess that will take much longer to sort out.